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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Audit of the establishment and management of mission subsistence allowance rates

Note by the Secretary-General

1. Pursuant to General Assembly resolutions 48/218 B of 29 July 1994 and 54/244 of 23 December 1999, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audit of the establishment and management of mission subsistence allowance (MSA) rates by the Department of Management and the Department of Peacekeeping Operations.

2. The Secretary-General takes note of the findings and generally concurs with the recommendations made in the report, which will serve to achieve more economical administration of special peacekeeping missions. The Secretary-General is also pleased to note that the Department of Management and the Department of Peacekeeping Operations are working together to undertake a more proactive approach in the establishment and management of mission subsistence allowance.

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Report of the Office of Internal Oversight Services on the audit of the establishment and management of mission subsistence allowance rates

Summary

Mission subsistence allowance (MSA) is a daily allowance paid to United Nations international civilian staff, military observers and civilian police in special peacekeeping missions to cover subsistence costs. MSA payments constitute a significant portion of overall peacekeeping costs, and for the financial period from 1 July 2000 to 30 June 2001 made up 17 per cent, or $350 million, of the total expenditure budgets of the ten special peacekeeping missions reviewed.

An audit of the establishment of MSA rates was conducted at United Nations Headquarters during the period from August to October 2000. The audit comprised mainly a review to determine whether the MSA rates established for special peacekeeping missions were reasonable and justified.

When a special mission is established, a field survey is conducted by the Office of Human Resources Management, in close cooperation with the Department of Peacekeeping Operations, to determine the initial MSA rates applicable to mission personnel. Subsequently, the MSA rates are supposed to be reviewed on a regular basis in order to verify that the various elements and costs taken into account in arriving at the initial rates are still valid.

In general, the MSA rate should reflect the subsistence costs (including food, lodging, and incidental items) based on the conditions which eligible peacekeeping staff are actually exposed to in each mission area. Furthermore, MSA rates should generally be lower than — or at least not exceed — the daily subsistence allowance rates established by the International Civil Service Commission for short-term travel to the same locations.

The audit reviewed the MSA rates in effect in ten special peacekeeping missions. Significant findings include the following:

(a) The MSA rates in seven missions (MINURSO, UNAMSIL, UNOMIG, MONUC, UNMEE, UNMIK and UNIKOM) were found to be excessive and should be reduced. The reviews by the Office of Human Resources Management of the MSA rates at UNMEE, UNOMIG, MINURSO, MONUC, UNAMSIL and UNIKOM, made in conjunction with the audit, have reduced the MSA rates payable in these missions, resulting in projected savings of approximately $33.7 million per year.

(b) There is a need for a regular review of MSA rates by the Office of Human Resources Management to ensure their continued reasonableness in comparison with actual subsistence costs in the various mission areas. This will also serve to mitigate the inherent conflict-of-interest that exists in the collection of relevant data on those costs, which is mainly based on questionnaires filled out by mission personnel.

(c) In order to introduce a stable and reliable means of setting MSA rates, consideration should be given to using daily subsistence allowance rates as a standard or benchmark for establishing and adjusting MSA rates in the same geographical locations.

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I. Introduction

1. Under United Nations staff rule 103.21, the Secretary-General may designate special mission assignments during which mission subsistence allowance (MSA) shall be authorized in lieu of other entitlements applicable under staff rule 103.22. The Secretary-General sets the rates and conditions for the MSA payable on each such assignment. The purpose of MSA is to reimburse staff for subsistence costs during periods of mission service. In recent years, MSA has been paid to a wide variety of staff, including international civilian personnel, military observers and civilian police personnel, serving in special missions. MSA payments constitute a significant portion of overall peacekeeping costs. For the financial period from 1 July 2000 to 30 June 2001, those costs totalled $350 million, or 17 per cent of the total expenditure budget of the ten special peacekeeping missions reviewed by the Office of Internal Oversight Services.

2. When a special mission is established, a field survey is conducted by a compensation specialist from the Common System and Compensation Service of the Office of Human Resources Management in close cooperation with the Field Administration and Logistics Division of the Department of Peacekeeping Operations. Upon completion of the survey, a report is prepared and related recommendations submitted to the Assistant Secretary-General for Human Resources Management for review and promulgation of MSA and related rates on behalf of the Secretary-General. Subsequently, MSA rates are supposed to be reviewed on a regular basis in order to verify that the various elements and costs taken into account in establishing the initial rates are still valid. If necessary, further field surveys are carried out. Between field surveys, MSA rates may be adjusted periodically on the basis of information received from field missions on the actual level of subsistence expenditures in the mission area.

3. MSA was designed to respond to the operational demands of the United Nations missions in the field. The present MSA policy is embodied in administrative instruction ST/AI/1997/6, which came into effect as of 1 November 1997. This policy was developed by the Office of Human Resources Management in close cooperation with the Department of Peacekeeping Operations, and took into account the guidance provided by the Advisory Committee on Administrative and Budgetary Questions and the comments and recommendations of the Audit and Management Consulting Division of the Office of Internal Oversight Services. As indicated in the provisions of the instruction, MSA rates are to be determined on the basis of long-term costs of accommodation, food and miscellaneous expenses at the duty station. It is thus designed to cover the living expenditures of personnel during the period of assignment to a peacemaking or special mission.

4. MSA rates are based on criteria similar to United Nations rates for daily subsistence allowance (DSA) established by the International Civil Service Commission. However, while DSA is designed to offset travel costs incurred for short periods at specific locations and/or hotels, MSA is designed to cover subsistence costs over longer periods. For the purposes of the audit, the Office of Internal Oversight Services considered DSA to be an independent benchmark of local subsistence costs which is periodically adjusted to reflect changes in actual short-term living costs.

5. The objectives of the Office of Internal Oversight Services audit were to assess the reasonableness of the MSA rates that have been established for special peacekeeping missions, based on the criteria that those rates should cover subsistence costs incurred by eligible staff in the mission area, including expenditures for food, lodging and incidental items. Since MSA rates are applied for the period of a mission assignment, which is normally longer than 30 days, the MSA rate in a given mission should be lower than, or at least not exceed, the DSA rate established for the same location by the International Civil Service Commission.

6. The Office of Internal Oversight Services reviewed MSA rates in effect as of September 2000 in ten special peacekeeping missions: the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), the United Nations Mission in Sierra Leone (UNAMSIL), the United Nations Iraq-Kuwait Observation Mission (UNIKOM), the United Nations Mission in Ethiopia and Eritrea (UNMEE), the United Nations Mission in Bosnia and Herzegovina (UNMIBH), the United Nations Mission of Observers in Prevlaka (UNMOP), the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG) and the United Nations Transitional

Administration in East Timor (UNTAET). The audit included a comparative analysis of DSA and MSA rates and their component elements, and an assessment of the reviews of MSA rates conducted by the Office of Human Resources Management in those missions.

7. A draft of the report was made available to the Department of Peacekeeping Operations and the Department of Management for review, and their comments, received in the form of a joint reply, dated 28 June 2001, have been taken into account and are identified by the use of italics.

II. Observations on mission subsistence allowance rates at missions reviewed by the Office of Internal Oversight Services

8. The audit identified seven missions, namely, MINURSO, MONUC, UNAMSIL, UNOMIG, UNMEE, UNMIK, and UNIKOM, where the MSA rates in effect were considered to be excessive or otherwise questionable. On the other hand, the MSA rate in one mission, UNMIBH, appeared to be unduly low, compared to the DSA rate in effect at the same duty station. In the two remaining missions, UNMOP and UNTAET, the MSA rates appeared to be reasonable. In view of the significant potential financial implications involved, the Office of Internal Oversight Services was of the opinion that the Office of Human Resources Management needed to make an immediate review of the seven missions in which the MSA rates were excessive or questionable to confirm whether the rates required adjustment. The observations of the Office of Internal Oversight Services concerning the MSA rates at those missions are presented below.

A. United Nations Mission for the Referendum in Western Sahara

9. International staff and military observers serving in MINURSO are provided at no expense to them with accommodation and full meal service. In computing the MSA rate, these costs would normally comprise 80 per cent of subsistence costs. The remaining 20 per cent of the MSA rate is intended to cover miscellaneous and incidental expenses. For MINURSO, the MSA rate for accommodation and board provided was established at $60 for the first 30 days and even thereafter. Annual MSA payments at MINURSO were estimated at more than $1 million per month, or $12.9 million annually.

10. Because no DSA rate had been established for the Western Sahara mission area, the Office of Internal Oversight Services compared the above MSA rate to the after-60-day DSA rate ($74) for Agadir, Morocco, which is located close to the mission area and where subsistence costs would be comparable. On this basis, it was concluded that the MINURSO MSA rate of $60, which is supposed to cover only miscellaneous and incidental expenses, appeared excessive. The Office of Internal Oversight Services also observed that the MSA rate for accommodation and board provided for MINURSO represented 81 per cent of the Agadir DSA rate, and concluded that it should be reduced to approximately 20 per cent of the after-60-day Agadir DSA rate. The Office of Internal Oversight Services estimated that such a reduction would save some $703,000 per month or $8.4 million annually.

B. United Nations Mission in Sierra Leone

11. The MSA rate for UNAMSIL was established in August 1998, based on a survey conducted in July of that same year. The rate was set at $135 per day, which was applicable for both the first 30 days and periods thereafter. Although the MSA rate was slightly lower than the $141 DSA rate payable for Sierra Leone for the first 60 days, it was $29 higher than the after-60-day DSA rate of $106, without apparent justification. The monthly amount of MSA paid at UNAMSIL was more than $2 million, or approximately $25.8 million per year. On this basis, the Office of Internal Oversight Services estimated that a reduction of the MSA rate for the Mission to an amount equal to the after-60-day DSA rate of $106 per day would result in savings of approximately $491,000 per month, or $5.9 million annually.

C. United Nations Observer Mission in Georgia

12. MSA payments at UNOMIG are estimated at $5.6 million annually. The MSA rate of $85 per day in effect at the time of the audit for both the first 30 days and periods thereafter appeared to be reasonable, since it was $21, or 20 per cent, lower than the DSA rate of

$106 for Georgia. However, the MSA rate, which normally consists of three cost elements, namely, accommodation, food, and incidentals, also included a "hardship" element, amounting to $20, or 24 per cent, of the $85 per day figure. The remainder of the MSA figure consisted of $20 each for accommodation and food, and $25 for incidentals.

13. The Office of Internal Oversight Services questioned the inclusion of a hardship element in the MSA rate, since separate entitlements, including hardship and mobility allowance, hazard pay, accelerated home leave and family visit travel, are already provided to eligible staff in duty stations such as UNOMIG, which are classified as difficult and/or hazardous. If the MSA rate for UNOMIG were reduced by the amount of the hardship element, the Office of Internal Oversight Services estimated that the resulting savings would amount to approximately $104,000 per month, or $1.2 million annually.

D. United Nations Organization Mission in the Democratic Republic of the Congo

14. At its full strength, MONUC was expected to incur approximately $22.8 million of expenditures per year for MSA. At the time of the audit, the Mission had several MSA rates. In Kinshasa, a rate of $169 per day was established as the regular rate, and a special rate of $217 was applicable to staff residing in two specified hotels. However, the Office of Internal Oversight Services noted that the lodging rates charged by these specified hotels were significantly reduced for those MONUC staff members who paid in advance for long-term stays in United States dollars (the currency in which MSA is paid). For this reason, the Office of Internal Oversight Services and the Mission's management questioned the continued payment of the special MSA rate.

15. In early 2001, after the Office of Internal Oversight Services issued its recommendation on this issue, there was a significant reduction in the DSA rate for Kinshasa. In comparison to the regular MSA rate of $169 per day for the first 30 days and periods thereafter, DSA was reduced by the International Civil Service Commission to $140 for the first 60 days, and to $105 per day after 60 days. Thus, the MSA rate paid per day to the majority of staff in MONUC amounted to $64 more than the after-60-day DSA rate. The Office of Internal Oversight Services estimated that a reduction of the regular MSA rate to the amount of the after-60-day DSA rate for Kinshasa would result in savings of approximately $1.3 million per month, or more than $15.0 million per year.

E. United Nations Mission in Ethiopia and Eritrea

16. The audit disclosed that the provisional MSA rates at UNMEE exceeded the respective DSA rates for Ethiopia and Eritrea, as set out below (in United States dollars).

Location	*MSA rate (all periods)*	*DSA rate (first 60 days)*	*DSA rate (after 60 days)*
Addis Ababa	95	84	63
Asmara	95	83	62

17. In addition to the rates indicated above, there were special DSA and MSA rates in effect for specified hotels in Addis Ababa and Asmara. However, since the vast majority of UNMEE staff did not stay in those hotels, these special rates were not considered relevant for purposes of comparison. The Office of Internal Oversight Services observed that the above-mentioned MSA rates for Asmara and Addis Ababa did not meet the criterion that they should be lower than or at least not exceed the after-60-day DSA rates for the same location. The Office of Internal Oversight Services estimated that a reduction in the MSA rates for UNMEE to at least the level of the corresponding after-60-day DSA rates for Asmara and Addis Ababa would save the Organization approximately $270,000 per month, or $3.2 million per year.

F. United Nations Mission in Bosnia and Herzegovina

18. With regard to UNMIBH, the Office of Internal Oversight Services noted that the MSA rates of $95 for the first 30 days and $75 per day for subsequent periods appeared unduly low when compared to the DSA rate of $137 per day applicable for all periods. UNMIBH was the only one of the ten missions covered by the audit where the MSA rate was lower than the corresponding DSA rate by more than 30 per cent. The

$95 first 30-day MSA rate and the $75 rate for subsequent periods, respectively, represented 69 per cent and 54 per cent of the corresponding DSA rate.

G. United Nations Interim Administration Mission in Kosovo

19. Based on an Office of Human Resources Management field mission to Kosovo, MSA rates for UNMIK were established at $95 for the first 30 days and $75 per day thereafter, effective from August 1999. These rates appeared reasonable in relation to the DSA rate of $111 per day applicable for all periods. However, at the time of the survey, the Office had determined that daily living expenses for accommodation, food and incidental expenses were $78 for the first 30 days and $68 per day thereafter. Thus, the actual subsistence costs were significantly lower than the recommended (and eventually established) rates of $95 and $75. The Office of Human Resources Management indicated that the higher rates were justified because it was thought that "economic conditions were evolving rapidly", and it was expected that the cost of living would rise. Therefore, the provisional rates of MSA of $95 and $75 were established as a "safety net" against future cost-of-living increases. It was also determined to be in the best interests of the administration to preserve uniform MSA rates throughout the UNMIK and UNMIBH mission areas.

20. The Office of Internal Oversight Services is of the view that MSA rates should not be established at higher rates than justified by actual conditions as a contingency against possible future cost-of-living increases. Rather, the Office of Internal Oversight Services believes that MSA rates should reflect actual subsistence costs at the time the rates are established, and that the rates should be periodically reviewed and adjusted based on actual changes in subsistence costs that may occur.

H. United Nations Iraq-Kuwait Observation Mission

21. In UNIKOM, a two-tier MSA rate had been established since March 1996. The MSA rate was set at $90 per day for personnel assigned to the demilitarized zone, and $75 per day for those personnel assigned to the Kheitan Support Base and Kuwait Liaison Office in Kuwait City. Accommodation was provided free of charge to all UNIKOM staff. Mess facilities were available at UNIKOM headquarters in the demilitarized zone and in Kuwait City, and meals were provided to the staff on a cash basis at the nominal cost of $1 for breakfast and $2 each for lunch and dinner.

22. A comparison of the DSA rate for Kuwait ($300) with the UNIKOM MSA rates revealed that, while the DSA rate reflected the high cost of living in Kuwait, the relatively high MSA rates seemed inappropriate, based on the low living costs experienced by UNIKOM staff. Although some incidental expenses faced by UNIKOM staff, such as overseas telephone calls, were costly, other incidental expenses, such as laundry service, supplied under United Nations contract, were relatively inexpensive.

23. In the opinion of the Office of Internal Oversight Services, the MSA rate at UNIKOM was unjustifiably high. Annual UNIKOM MSA payments were estimated at $8.5 million. To be equitable and consistent, the Office of Internal Oversight Services believes that the $90 rate applicable to staff serving in the demilitarized zone should, in the first instance, be lowered to $75, which is the rate for staff serving in Kuwait City. With this adjustment, the Office of Internal Oversight Services estimates that MSA payments at UNIKOM would be reduced by about $108,000 per month, or $1.3 million per year.

24. *In their comments on a draft of the present report, the Department of Peacekeeping Operations and the Office of Human Resources Management noted that the present policy on MSA was embodied in administrative instruction ST/AI/1997/6, effective from 1 November 1997. MSA was designed to respond to operational demands of United Nations missions and to provide a cost-effective mechanism to meet the cost of subsistence in the field. In response to call by the Office of Internal Oversight Services for urgent action, the Office of Human Resources Management established procedures whereby MSA rates could be re-assessed more frequently and systematically through the use of questionnaires. In March and April 2001, questionnaires were sent to MINURSO, UNIKOM, UNAMSIL, MONUC, the United Nations Peacekeeping Force in Cyprus and UNMOP, as well as to the United Nations Office in Angola and the United Nations Office of the Humanitarian Coordinator in Iraq in order to ascertain the adequacy of MSA rates at those missions.*

At the time of preparation of this report, the Office of Human Resources Management was proceeding with reviews of the questionnaire data received. Field reviews were also recently conducted at UNMEE and UNOMIG, and MSA rates at those missions were revised as of 1 May and 1 July 2001, respectively. In October 2001, the Office of Human Resources Management reduced the MSA rates for MINURSO, UNAMSIL, MONUC and UNIKOM, with effect from 1 February 2002, in order to allow mission personnel to make necessary adjustments in their expenditure patterns.

III. Daily subsistence allowance rates as a standard or benchmark for establishing and adjusting mission subsistence allowance rates

25. In the opinion of the Office of Internal Oversight Services, a basis exists for using DSA rates as a standard or benchmark for establishing and adjusting MSA rates at missions in the same geographical locations. The Office of Internal Oversight Services believes that the rate for the first 60 days can generally be adopted as the first-30-day MSA rate (except when accommodation and/or meals are provided by the mission), on the grounds that newly arrived mission staff would incur the same level of subsistence costs as other official travellers to the same location. New mission personnel generally do not find a house or an apartment to rent immediately upon arrival in the mission area, and therefore would need to stay in a hotel for at least a short period of time. This is the basis for the higher MSA rate applicable for the first 30 days. After being in the mission area for 30 days, mission staff are deemed to have had enough time to obtain longer-term rented accommodation and to no longer have to rely mainly on restaurants for daily meals. This is the basis for the after-30-day MSA rate. Where it exists, the after-60-day DSA rate similarly reflects ad hoc arrangements in which the hotel provides a discounted rate to long-term guests. Thus, the after-30-day MSA rate and the after-60-day DSA rate both reflect essentially the same situation: a lowering of a staff member's subsistence costs. For this reason, the latter rate could be generally adopted as a mission's after-30-day MSA rate and serve as a continuing comparator for validating and benchmarking the MSA rate.

26. Based on the foregoing, the Office of Internal Oversight Services believes there may be sufficient justification to henceforth establish MSA rates using existing DSA rates for the same locations as a standard or benchmark. Apart from introducing a stable and reliable means of setting MSA rates, this approach would significantly facilitate and reduce the costs currently involved in that process. This, however, should not preclude the establishment of special MSA rates when the actual living expenses of the mission staff are considerably lower than corresponding DSA components, as was found to be the case in UNIKOM.

IV. Need for improved Headquarters oversight

27. In order to ensure their validity and reasonableness, MSA rates must be based on accurate cost-of-living data. The Office of Internal Oversight Services noted, however, that ensuring the accuracy of such data is not a straightforward process. This is partly because the cost-of-living data is based, to some extent, on survey information provided by mission staff which are directly affected by decisions taken to revise MSA rates on the basis of that information. In the opinion of the Office of Internal Oversight Services, the potential adverse effects of this inherent conflict-of-interest situation could be prevented or minimized through more frequent field surveys and other reviews by the Office of Human Resources Management. The Office should also closely monitor DSA rates applicable in mission areas, as any significant changes in such rates may signal a need for similar changes in MSA rates.

28. Although more frequent reviews of MSA rates may require additional resources, the Office of Internal Oversight Services believes that any such additional costs would be justified in view of the substantial financial implications of MSA rates.

V. Conclusions

29. The Office of Human Resources Management and the Department of Peacekeeping Operations generally agreed with most of the issues raised by the audit, including the need for closer monitoring of MSA rates though more frequent field surveys, and the need for a more systematic approach in establishing MSA rates.

The Office of Internal Oversight Services welcomes the corrective actions already initiated by the Office of Human Resources Management with regard to the questionable inclusion of elements other than food, accommodation and incidental costs in the MSA rates for MINURSO and UNIKOM. The Office of Internal Oversight Services also welcomes the action taken by the Office earlier this year to survey several of the special missions for the purpose of reviewing the reasonableness of existing MSA rates. Monitoring of the results of these surveys, which will likely result in the downward adjustment of MSA in some locations, will be the subject of future reviews by the Office of Internal Oversight Services.

30. With regard to the issue of using DSA rates as a basis for establishing and adjusting MSA rates at missions in the same geographical locations, the Office of Internal Oversight Services believes the use of DSA as a standard or benchmark would be useful even if some disparities exist in the comparison of those rates. A lowering of DSA rates below the level of MSA should certainly trigger a review of MSA rates. This appeared to be the case in MONUC, as discussed in paragraph 14 above.

31. The Department of Peacekeeping Operations raised concerns about the impact of MSA reductions on staff morale as well as the potential political implication regarding the willingness of troop-contributing countries to deploy personnel to United Nations missions. It is the view of the Office of Internal Oversight Services that these concerns have come about from applying standard MSA rates to different categories of staff in missions (international civilian staff, military observers and civilian police officers). The audit noted that in the ten special missions reviewed, over 12,000 staff were being paid MSA broken down as follows:

(a) 3,549 international civilian personnel (29 per cent);

(b) 1,468 military observers (12 per cent);

(c) 7,251 civilian police officers (59 per cent).

32. In recent years, the rationale for the establishment of MSA included the operational needs of the mission, and the need to attract and retain highly qualified individuals to serve in field missions. These needs are currently being addressed by the Department of Peacekeeping Operations and the Office of Human Resources Management as part of the review of conditions of service of civilian staff that has received considerable focus in the past year (see A/55/305-S/2000/809).

33. In the opinion of the Office of Internal Oversight Services, the use of MSA for achieving the above-mentioned purposes goes beyond the original intent of the allowance. MSA was chiefly established for career international staff members of the United Nations. Thus, there may be a need to clarify to all MSA recipients, especially military and police personnel, that MSA represents a reimbursement for subsistence costs incurred during mission assignments, and that these costs are calculated in respect of the international staff of the United Nations. It should be expected that there may be some discontent after an initial exercise to review MSA rates (resulting in many cases, in lower rates) in those missions where elements other than actual subsistence costs are reflected in the MSA rate, or where MSA rates have not been surveyed for the past several years. However, the Office of Internal Oversight Services believes that a more systematic and transparent approach to the establishment and maintenance of MSA rates would better meet the future subsistence requirements of all mission staff.

VI. Recommendations

34. The Office of Internal Oversight Services makes the following recommendations for improving the establishment and management of mission subsistence allowances in peacekeeping missions.

Recommendation 1

The Office of Human Resources Management should urgently review the MSA rate for MINURSO and re-establish it at a level that reflects the actual subsistence expenses incurred by the eligible mission personnel (AP2000/5/4/001).*

Implementation status: *The Department of Peacekeeping Operations and the Office of Human Resources Management noted that, in the case of MINURSO, the MSA rate had been established in May 1994, prior to formulation of the MSA policy*

* An internal code used by the Office of Internal Oversight Services.

contained in administrative instruction ST/AI/1997/6. Accordingly, MINURSO was one of the few remaining missions where elements other than pure subsistence costs were still reflected in the MSA rate. The Office stated that a review of living costs for MINURSO had been completed and, as a result, the MSA rate would be reduced from $60 to $40 per day. In cases where accommodation is provided, the MSA rate would be reduced to $25, which would affect most of the staff assigned to MINURSO. The new rates would be effective from 1 February 2002, to allow mission staff sufficient time to make necessary adjustments in their expenditure patterns. The Office of Internal Oversight Services acknowledges the fact that the Office of Human Resources Management has taken definite action to implement this recommendation, and estimates that the downward revision of the MSA rate for MINURSO will result in savings of approximately $482,000 per month, or $5.8 million annually.

Recommendation 2

The Office of Human Resources Management should review the current MSA rate for UNAMSIL to confirm its continued validity and to establish whether the rate should be adjusted to at least the level of the after-60-day DSA rate in effect for the mission area (AP2000/5/4/002).*

Implementation status: *The Office of Human Resources Management accepted this recommendation and, based on a recently completed review of living costs, the MSA rate for UNAMSIL had been reduced from $135 to $105 per day, which was comparable to the after-60-day DSA rate of $106 in the mission area. The Office stated that the revised MSA rate would take effect from 1 February 2002, and that the special MSA rate of $171 would be discontinued.* The Office of Internal Oversight Services acknowledges the fact that the Office of Human Resources Management has taken adequate action to implement this recommendation and consequently estimates that UNAMSIL expenditures will be reduced by approximately $543,600 per month, or $6.5 million per year.

Recommendation 3

The Office of Human Resources Management should review the current MSA rate for UNOMIG, as well for other peacekeeping missions, to determine the justification for the inclusion of a hardship element. Should the results of the review call for adjustment of the MSA rate, immediate corrective action should be taken (AP2000/5/4/003).*

Implementation status: *The Department of Peacekeeping Operations and the Office of Human Resources Management noted that the MSA rate for UNOMIG had been established in 1994, prior to the announcement of the revised MSA policy under administrative instruction ST/AI/1997/6. In April 2001, the Office of Human Resources Management had fielded a survey mission and compiled subsistence data throughout the UNOMIG mission area. The resulting data had supported a net lowering of MSA rates. With the concurrence of the Department of Peacekeeping Operations, lower MSA rates for staff serving in UNOMIG had been put in place on 1 July 2001.* The Office of Internal Oversight Services concurs that the Office of Human Resources Management has taken adequate steps to implement the recommendation and estimates that the resulting downward MSA adjustment from $85 to $70 in Georgia (elsewhere) and from $129 to $94 in Tbilisi will result in savings to the Organization of $93,000 per month, or $1.1 million annually.

Recommendation 4

The Office of Human Resources Management should urgently conduct a field survey of the local conditions in MONUC to assess the continued validity of the MSA rates currently in effect and establish new rates that accurately reflect the current conditions as indicated by the DSA rates for the mission area (AP2000/5/4/004).*

Implementation status: *The Department of Peacekeeping Operations and the Office of Human Resources Management advised that the special MSA rates applicable to staff residing in the Inter-Continental and Memling hotels in Kinshasa had been revised from $217 to $179, effective 1 November 2000. The Office of Human Resources Management further indicated that, based on its review of living costs, the special MSA rate would be further reduced to $140 per day, effective 1 February 2002. In addition, the MSA rate for MONUC (Democratic Republic of the Congo) would be reduced from $169 to $140 for the first 30*

days and $126 thereafter; the MSA rate for MONUC (Central African Republic) would be reduced effective 1 February 2002, from $113 to $103 for the first 30 days and to $70 thereafter; and the MSA rate for MONUC (Angola) would be increased from $72 to $79, with effect from 1 November 2001. The Office of Internal Oversight Services acknowledges the fact that the Office of Human Resources Management has taken adequate steps to implement this recommendation, which should result in net expenditure reductions of approximately $1.1 million per month, or $13.2 million annually.

Recommendation 5

The Office of Human Resources Management should take immediate steps to adjust the MSA rates in UNMEE to bring them in line with the DSA rates in effect in the mission area (AP2000/5/4/005).*

Implementation status: *Following a field review conducted in February 2001, the MSA for UNMEE had been reduced to a uniform rate of $80 for both countries in the mission area (Ethiopia and Eritrea), with effect from 1 May 2001. Special MSA rates had also been established for the Hilton and Sheraton Hotels, in Addis Ababa ($113), and for the Inter-Continental Hotel in Asmara ($151).* The Office of Internal Oversight Services concurs that the Office of Human Resources Management has taken adequate steps to implement this recommendation and estimates that this action will reduce the monthly cost of MSA in UNMEE by approximately $205,000 per month, or $2.4 million per year.

Recommendation 6

The Office of Human Resources Management, in consultation with the International Civil Service Commission, should conduct a field survey to determine whether and to what extent the current MSA rates for UNMIBH should be adjusted to reflect actual subsistence costs as indicated by the DSA rates in effect in the mission area (AP2000/5/4/006).*

Implementation status: *The Office of Human Resources Management indicated that it had evaluated the UNMIBH MSA rates by way of a questionnaire completed in August 1998 and a field survey conducted in February 1999. Based on those results, the Office considered the MSA rates, as revised and with effect from 1 May 1999, to be appropriate. Nonetheless, the Office stated that new questionnaires would be sent to UNMIBH to determine whether the prevailing MSA rates were due for revision.* A follow-up review of the status of this recommendation will be conducted in 2002 to evaluate whether the MSA rates in UNMIBH require adjustment.

Recommendation 7

The Office of Human Resources Management should (a) adopt a policy whereby MSA rates are not to be established at higher levels than those justified by actual conditions in anticipation of possible future increases in the cost of living; and (b) review the current MSA rates in UNMIK to determine whether and to what extent they should be adjusted to accurately reflect actual subsistence costs in the mission area (AP2000/5/4/007).*

Implementation status: *The Department of Peacekeeping Operations and the Office of Human Resources Management stated that, in the case of UNMIK, MSA rates had been established shortly after hostilities ended in October 1999. Agricultural, industrial and manufacturing sectors had been severely disrupted, with resultant effects on related prices. High demand for housing, food and commodities were being experienced. In order to meet operational requirements, it had been determined that it would be in the best interests of the Organization to align the MSA rates of UNMIK with those of UNMIBH, thus preserving uniform rates throughout the mission areas of the region. The Office of Human Resources Management further advised that it would send out new questionnaires to determine whether the prevailing MSA rates in the mission area needed adjustment.*

Recommendation 8

The Office of Human Resources Management should review the current MSA rates for UNIKOM to determine whether and to what extent they should be adjusted to reflect the actual subsistence costs incurred by UNIKOM personnel (AP2000/5/4/008).*

Implementation status: *The Office of Human Resources Management advised that it had completed the review of the MSA rates for UNIKOM. As a result, the MSA rates would be reduced, effective 1 February 2002 from $90 in the demilitarized zone and Umm Qasr, and from $75 in Kuwait City/Khaitan to $40 per day for all UNIKOM duty stations.* The Office of Internal Oversight Services acknowledges that the Office of Human Resources Management has taken adequate action to address this recommendation, which would result in the estimated expenditure reduction of approximately $4.5 million per year.

Recommendation 9

The Office of Human Resources Management should consider, in consultation with the Department of Peacekeeping Operations, the feasibility of establishing MSA rates using the DSA rates for the same locations as a standard or benchmark to replace, or to complement, the procedures currently used to set and adjust those rates (AP2000/5/4/009).*

Implementation status: *The Office of Human Resources Management and the Department of Peacekeeping Operations disagreed with this recommendation, noting that it would not be appropriate to use DSA rates as a basis for establishing MSA rates. It underscored the disparities that existed between the establishment of DSA and MSA rates. These included the use of a uniform MSA rate applicable to the mission area, which could encompass an entire country or countries. In contrast, different DSA rates may apply to different locations within a particular country. In addition, the accommodation component used to determine DSA was based on costs at good commercial hotels, whereas the accommodation component of the MSA was based on the cost of longer-term arrangements, which normally would be a rented apartment or house.*

While it was a generally held view that living expenditures would be reduced for extended stays at particular locations, and that DSA reflected this by providing for an after-60-day reduced rate, this was not always the case in mission areas. There were cases in which the significant presence of international staff drove component costs of MSA upwards, so that costs remained constant or even higher in the medium term. Thus, it could always be expected that MSA rates would be significantly lower than the applicable DSA rates. The Department of Peacekeeping Operations and the Office of Human Resources Management further noted that the current MSA policy treated the allowance as part of compensation, rather than as a per diem.

The Office of Internal Oversight Services takes note of the reasons for the disagreement with this recommendation, but still believes that there is sufficient justification to use existing DSA rates as a benchmark or guideline for establishing and adjusting MSA rates in the same location. Apart from introducing a stable and reliable means of setting MSA rates, this approach would significantly facilitate and reduce the costs currently involved in that process. A follow-up review of the management of MSA rates to be conducted during 2002 will enable the Office of Internal Oversight Services to examine this issue further.

Recommendation 10

The Office of Human Resources Management should adopt a regular schedule of MSA reviews, which should be carried out at least annually, to ensure the validity and reasonableness of MSA rates (AP2000/5/4/010).*

Implementation status: *The Department of Peacekeeping Operations and the Office of Human Resources Management agreed that there was a need for closer monitoring of MSA rates through more frequent field surveys, but noted that limited staffing resources, compounded by the proliferation of special missions in the past few years, made it impossible to conduct annual field surveys. The Office of Human Resources Management had requested additional staffing and financial resources from the support account to enable it to conduct annual field MSA surveys and local salary surveys in mission areas and to undertake annual global questionnaire reviews of MSA rates.* The Office of Internal Oversight Services takes note of the steps taken by the Department of Peacekeeping Operations and the Office of Human Resources Management to implement this recommendation and will monitor future developments.

35. The planned follow-up review of MSA by the Office of Internal Oversight Services will further assess the progress in implementing the above

recommendations and monitor the reasonableness of MSA rates in comparison with DSA rates established for major cities located in the same mission areas.

(*Signed*) Dileep **Nair**
Under-Secretary-General for
Internal Oversight Services